

University of Mississippi

eGrove

Haskins and Sells Publications

Deloitte Collection

July 2019

Haskins & Sells Service Classification

John Raymond Wildman

Follow this and additional works at: https://egrove.olemiss.edu/dl_hs



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

Wildman, John Raymond, "Haskins & Sells Service Classification" (2019). *Haskins and Sells Publications*. 1714.

https://egrove.olemiss.edu/dl_hs/1714

This Article is brought to you for free and open access by the Deloitte Collection at eGrove. It has been accepted for inclusion in Haskins and Sells Publications by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

HASKINS & SELLS
SERVICE CLASSIFICATION

by John R. Wildman

GENERAL AUDITS - CASH AUDITS - GENERAL EXAMINATIONS - EXAMINATIONS
OF FINANCIAL CONDITION - LIMITED EXAMINATIONS - INVESTIGATIONS -
PREPARATION OF STATEMENTS WITHOUT VERIFICATION - TAX ENGAGEMENTS -
GENERAL ACCOUNTING SYSTEMS - COST SYSTEMS - BUDGETS - BOOKKEEPING
AND ACCOUNTING ENGAGEMENTS - OPINIONS - MISCELLANEOUS

1. GENERAL AUDITS

A general audit comprehends verification of the assets, liabilities, capital, and surplus as of a given date, and of the cash receipts and disbursements, income, expense, and miscellaneous profits and losses for a period ended on that date, together with the preparation of an audit report, with or without a certificate.

This type of service contemplates that the accountant, in addition to verifying balances at a given date, shall satisfy himself reasonably as to the transactions resulting in such balances and as to the accuracy of the records.

2. CASH AUDITS

A cash audit comprehends verification of all receipts and disbursements for which an accounting should have been made during a period, of the accuracy of the cash records, and of the balance at the end of the period, together with the preparation of a report, with or without a certificate.

3. GENERAL EXAMINATIONS

A general examination covers a period, and consists of verification of assets, liabilities, capital, and an analysis of surplus, as of a given date, an analytical review of income, expenses and miscellaneous profits and losses for a period ended on that date, and the preparation of a report containing a balance sheet and a statement of income and profit and loss, with or without a certificate.

SERVICE CLASSIFICATION, CONT'D.

A general examination is distinguished from a general audit by omission to verify ~~the~~ cash receipts and disbursements and by verifying the operating accounts through analytical study and investigation rather than by a general audit of the transactions. It is distinguished from an examination of financial condition, in the more extensive review of the operations as such, rather than as an incident to the verification of assets and liabilities.

The object of this service is to determine that there is no overstatement of net assets, or of net profits; not to determine fiduciary integrity. While, because of somewhat extensive consideration of the operating accounts, there is more opportunity than in an examination of financial condition of detecting any existing internal fraud, the service may not be relied upon in that respect.

Any restriction upon the verification of one or two balance sheet items only, such as inventories and accounts receivable, while calling for qualification of such items, does not remove the engagement from the class of general examinations.

When arising in connection with the proposed issuance of securities, mergers, consolidations, or purchases and sales of companies and properties, this type of engagement, in order to satisfy the requirements of financial agencies involved, as to condition, earning power and management, calls for a report in which particular attention is given to classification in statements and to appropriate information in the comments. The report contains, frequently, a balance sheet giving effect to the proposed financing.

While a general examination usually covers both financial condition and operations, occasionally it may be confined to such verification of income, expenses, miscellaneous profits and losses, and related balance sheet accounts, as may be necessary to determine that there has been no overstatement of net profits. In a report on an examination of this character, the statement of income and profit and loss may be certified, but a balance sheet, if submitted, should be shown as having been prepared from the books without verification.

SERVICE CLASSIFICATION, CONT'D.

4. EXAMINATIONS OF FINANCIAL CONDITION

An examination of financial condition comprehends verification as of a given date of the assets, liabilities, and capital, and an analysis of surplus, including as an incident thereto, such examination of the operations as may be necessary to give credence to the stated financial condition, and the preparation of a report containing a balance sheet which may or may not be certified. If a statement of income and profit and loss is included in the report, it should be qualified as having been prepared from the books without verification.

This type of service, while contemplating certain examination of the records with a view to substantiating the assets as represented and affording reasonable assurance that there are no liabilities (actual or contingent) other than those admitted, does not comprehend systematic verification of transactions, such as is required in a general audit, and therefore may not be relied upon to disclose any understatement of assets which may have been concealed in the operating accounts.

Restriction in the verification of one or two balance sheet items only, such as inventories and accounts receivable, notwithstanding the fact that such restriction calls for qualification, does not constitute sufficient reason for excluding the engagement from this class of service.

5. LIMITED EXAMINATIONS

A limited examination may involve either partial or complete verification of certain assets and liabilities, or of certain operating transactions, and the preparation of financial statements from the books without further verification. This type of engagement demands a report (without certificate and without comments, except such as are embodied in the presentation) in which the service is referred to in the opening paragraph of the presentation as a limited examination, and assertion is made therein to the effect that, in accordance with the instructions, only certain account balances according to the records have been verified. The presentation also must set forth that the statements are not certified, and must explain as to each item the scope and results of the verification. The statements must be so marked under the descriptive

SERVICE CLASSIFICATION, CONTD.

heading, as clearly to show that they were prepared from the books with only such verification as is indicated opposite the respective items; each item must be marked to indicate whether or not it was verified, and if partially verified, such fact must be indicated, together with reference to the presentation which will show the scope and results of the verification; and there must be a footnote to each statement to the effect that the statement must be considered in the light of the accompanying comments.

When the service is restricted to one account, the verification of which is complete and satisfactory, a report containing a statement confined to that account may be certified without qualification.

6. INVESTIGATIONS

An investigation contemplates inquiry into financial, industrial, or other activities or phases, or financial involvements, according to the records, rather than a general review of audit of the accounts, together with the preparation of a report.

7. PREPARATION OF STATEMENTS FROM BOOKS OR RECORDS WITHOUT VERIFICATION

Statements prepared from the books or records without verification necessitate the use of unwater-marked paper, bound (if at all) in a plain back, without any indication, in the statements themselves or in anything attached to the statements, that they were prepared by certified public accountants.

In cases where it is necessary to include in a report containing statements which have been verified, any statements which have been prepared from the face of the books without verification, or with only partial verification, such statements must be so marked, under the descriptive heading and at the bottom, as clearly to indicate that they were prepared from the books without verification, or with only such verification as is indicated opposite the respective items, depending on the situation.

SERVICE CLASSIFICATION, CONT'D.

8. TAX ENGAGEMENTS

A tax engagement may consist of -

Preparing or reviewing tax returns-

(a) From records which have been audited

(b) From records which have not been audited

Contesting assessments or prosecuting tax claims

Preparing and rendering opinions on tax matters

9. GENERAL ACCOUNTING SYSTEMS

An engagement for general accounting system work may consist of -

Conducting Surveys

Devising and installing systems of account and of record.

10. COST SYSTEMS

A cost system engagement may consist of -

Conducting surveys

Devising and installing cost finding systems

11. BUDGETS

A budget engagement may consist of -

Conducting surveys

Preparing and installing budget systems

12. BOOKKEEPING AND ACCOUNTING ENGAGEMENTS

An engagement to do bookkeeping and accounting work may consist of -

Preparing and recording bookkeeping entries

Acting as bookkeeper, auditor, or comptroller, etc.

13. OPINIONS

This class of engagement consists of preparing and rendering opinions having to do with accounting and financial matters.

SERVICE CLASSIFICATION, CONT'D.

14. MISCELLANEOUS

This class includes all engagements not comprehended in the foregoing, such as acting as liquidating trustee, acting as arbitrator in accounting controversies, acting as umpire in accounting disputes, giving testimony in court, rendering advice in accounting matters, interpreting financial data, instructing bookkeepers, checking statements, etc.

SERVICE CLASSIFICATION, CONT'D.

14. MISCELLANEOUS

This class includes all engagements not comprehended in the foregoing, such as acting as liquidating trustee, acting as arbitrator in accounting controversies, acting as umpire in accounting disputes, giving testimony in court, rendering advice in accounting matters, interpreting financial data, instructing bookkeepers, checking statements, etc.